

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 90-299-C - ORDER NO. 90-1059  
OCTOBER 30, 1990

IN RE: Application of GTE South, Inc. for	)	ORDER
Represcription of New Schedules of	)	APPROVING
Depreciation Rates for South Carolina.	)	REVISED
	)	DEPRECIATION
	)	RATES

On March 26, 1990, GTE South, Inc. (the Company or GTE South) filed an application with the Public Service Commission of South Carolina (the Commission) requesting approval of revised depreciation rates. The application was filed pursuant to S.C. Code Ann., §58-9-350 (Cum. Supp. 1989).

The Commission's Executive Director instructed the Company to publish a Notice of Filing in a newspaper of general circulation in the affected areas once a week for two consecutive weeks. The Company provided the Commission with proof of publication.

A Petition to Intervene was filed by Steven W. Hamm, Consumer Advocate for the State of South Carolina (the Consumer Advocate). Thereafter, a public hearing was held in the Commission's Hearing Room, on Thursday, October 11, 1990, at 10:30 A.M., Chairman Marjorie Amos-Frazier, presiding. M. John Bowen, Jr., Esquire, and Joe E. Foster, Esquire, represented GTE South; Nancy J. Vaughn, Esquire, represented the Consumer Advocate; and Marsha A.

Ward, General Counsel, represented the Commission Staff.

The Company presented testimony of Ray L. Hodges, Depreciation Studies Manager - South Area, to testify in support of the Company's proposed revised depreciation rates. The Commission Staff presented David S. Lacoste, Utilities Engineer, to provide the Commission with Staff's position.

The Commission has considered the testimony and evidence submitted in this matter, and based upon the evidence of the whole record the Commission makes the following findings and conclusions:

1. That GTE South, Inc. is engaged in the transmission of intelligence by wire for compensation in South Carolina and is subject to the jurisdiction of the Commission pursuant to S.C. Code Ann., §§58-9-10 (1976), et. seq.

2. That pursuant to S.C. Code Ann., §58-9-350 (1976), the Company filed with the Commission proposed revised depreciation rates.

3. That the proposed depreciation rates reflect the three-way agreement between the Company, the Federal Communications Commission (FCC) Staff, and the Commission Staff agreed to on February 20-22, 1990.

4. That the FCC requires rescription of depreciation rates on a triennial cycle, and normally a study is filed at the same time with the Public Service Commission of South Carolina. The current study utilized accounting data as of December 31, 1989, and requested that any new depreciation rates become

effective July 1, 1990.

5. Since the last full study was filed by GTE South in 1983, changes in network configuration have affected the service lives of several equipment accounts, requiring rates to be updated.

6. That recent technological developments in telecommunications have resulted in rapid modernization of the network. The Commission has encouraged network modernization as a means of enhancing economic development and improving service. All of the GTE South's switching equipment in South Carolina will be converted to digital by the end of 1990. Network modernization has, however, shortened service lives for much of the existing network equipment.

7. That in the two abbreviated depreciation studies filed since the 1983 full study, the Commission recognized the effects of modernization by prescribing new rates for obsolete switching equipment and adjusting depreciation reserves through an amortization of imbalances existing at that time. The current request addresses network changes that are occurring following the switching conversion to digital.

8. That conversion to digital switching and optical trunking are significantly reducing the service lives of the circuit equipment and are beginning to have an impact on the metallic cable accounts by shortening the lives of the inter-office and feeder cables.

9. That based upon the Company's reported January 1, 1990,

investment and reserve figures, the depreciation parameters and amortization adjustments which were agreed to among the parties at the three-way meeting, will result in an increase in annual accruals of approximately \$2,561,000 on an combined GTE South operations.

10. That the Commission herein determines that the Staff's comparison of other telephone utilities' depreciation rates is based upon information filed with and approved by the Commission and provides competent evidence to support the Commission Staff's recommendation concerning the Company's proposed revised depreciation rates.

11. That based upon Staff's comparisons with other telephone companies operations, the agreed to depreciation rates should allow GTE South's service facilities to be kept current with ongoing advances in technology and allow the Company to meet future service demands.

12. That the requested increases are a direct result of network modernization and are found to be in the public interest.

13. That therefore, the Commission will adopt the revised depreciation rates recommended by the Commission Staff and proposed by the Company attached hereto as Appendix A and incorporated by reference herein, effective July 1, 1990.

14. That, after taking judicial notice of Order No. 89-539, which approved a Company proposal for three (3) year amortization of a reserve imbalance associated with Operator Systems accounts and Analog Electronic Switching System accounts beginning in the

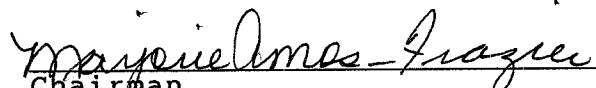
year 1989, the Commission finds that the Company has failed to amortize the initial year of the reserve imbalance as required by its Order.

15. That based on a combined basis the reserve imbalance should be, as of January 1, 1990, \$626,952 for the Operator Systems Accounts and \$423,752 for the Analog Switching System account for the Company's South Carolina operations.

16. That the Company should report to the Commission the method proposed to correct the Company's non-compliance with Order No. 89-539.

IT IS SO ORDERED.

BY ORDER OF THE COMMISSION:

  
Chairman

ATTEST:

  
Executive Director

(SEAL)

GTE APPROVED DEPRECIATION RATES

Account		Rate
2112	Motor Vehicles	9.60%
2115	Garage Wk Equip	6.80%
2116	Other Wk. Equip.	5.60%
2121	Buildings	2.90%
2122	Furniture	2.80%
2123	Office Equip.	--
2123.1	OFC Support Eq.	3.00%
2123.2	CO Comm. Eq.	7.50%
2124	Gen. Pur. Comp.	15.10%
2212	Digital Switching	6.10%
2215	Electro. Switch.	--
2231	Radio Sys.	24.50%
2220	Operator Systems	5.00%
2232	Circuit Equip.	11.50%
2351	Paystations	7.00%
2362	Other Term. Equip	12.30%
2411	Poles	6.20%
2421	Aerial Cable	--
2421.1	A.C. Metallic	8.60%
2421.2	A.C. Fiber	6.00%
2422	Underground Cable	--
2422.1	U.C. Metallic	5.10%
2422.2	U.C. Fiber	5.40%
2423	Buried Cable	--
2423.1	B.C. Metallic	6.70%
2423.2	B.C. Fiber	4.40%
2424	Submarine Cable	8.00%
2426	Intrabldg Cable	8.50%
2431	Aerial Wire	10.70%
2441	Conduit Sys.	1.90%